

BT-SUSS Business Climate Survey 2019Q2¹

Summary Report

In January 1996, *The Business Times* of Singapore launched a quarterly survey on business activities to track Singapore business cycles and to ascertain any dichotomy in performance by size and ownership of companies. Currently, the small sample survey has entered its 24th year. This report covers the performance of Singapore firms in 2019Q2 and business prospects for the next six months (July-December 2019). Of the 135 firms which responded to the mail survey (conducted 18th June –19th July 2019), 85 or 63% indicated overseas business. This is close to that in the previous quarter. The survey respondents are from all major economic sectors.

Singapore Business Climate

Business conditions have continued to worsen in 2019Q2 for the fifth consecutive quarter. Sales contracted further, at the same rate (-14 points) as in the previous quarter. Profits and orders/new business contracted more but at a slower rate than a quarter ago. Pessimism over business prospects in the next six months has increased. The net balances, with changes over a quarter ago in parentheses, are as follows:²

- -35% for sales (-14% points);
- -37% for profits (-4% points);
- -31% for orders/new business (-6% points); and
- -40% for business prospects in the next six months (-18% points).

Firms are asked to indicate the likely change in sales in 2019 from the previous year's sales. Expectations in 2019 have become much dimmer, given the US-China trade conflict. Sales contraction is foreseen, in contrast to a sales expansion a year ago (net balance of -32% vs 6% in 2018) (*Table 1*). Among the five sectors, construction firms expect the least contraction in 2019. In the previous two years, manufacturing firms posted the highest expansion. The total sales change is estimated at -0.3% in the current year. In the seven-year period (2011-2017), the sales estimates are below GDP growth rates. For 2018, the sales estimate was slightly above GDP growth. In view of increasing uncertainties and instability in the world, we adopt a precautionary stand to provide a range forecast for 2019 GDP growth. Firstly, the 2019 sales estimate of -0.3% is not adjusted for GDP forecast. Secondly, an adjustment is made using the lowest underestimate of 1.4% in 2014. Thus predicted GDP growth in 2019 is in the range of **-0.3% to 1.1%**. This falls below the official forecast of 1.5% to 2.5% as of May 2019.

Table 1: Net Balances in Sales Change, 2011-2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011
All Companies	-32%	6%	-24%	-51%	-30%	-5%	-18%	-7%	10%
Size									
Small	-59%	-50%	-62%	-65%	-47%	-17%	-14%	-30%	3%
Large	-27%	18%	-14%	-47%	-26%	-2%	-19%	-2%	13%
Ownership									
Local	-32%	10%	-29%	-46%	-27%	-5%	-15%	-7%	9%
Foreign	-31%	-9%	-3%	-66%	-41%	-6%	-38%	-10%	17%
Sector									
Manufacturing	-38%	22%	12%	-55%	-21%	3%	-17%	-23%	21%
Construction	-22%	-21%	-35%	-47%	-15%	-11%	-15%	25%	31%
Commerce	-27%	-3%	-49%	-58%	-41%	-18%	-35%	-26%	15%
T & C	-29%	11%	-21%	-38%	-24%	35%	0%	0%	-4%
F & B S	-38%	18%	-32%	-49%	-42%	-26%	-13%	5%	-19%
Estimated Sales Change	-0.3%	3.3%	1.4%	-5.7%	-1.7%	2.7%	-3.8%	-2.8%	3.6%
GDP growth rate	1.5% - 2.5%	3.1%	3.9%	2.8%	2.5%	4.1%	5.0%	4.3%	6.4%
Predicted GDP growth	-0.3% to 1.1% in 2019								

Shaded green cell marks the highest Net Balance.

GDP growth rates as at April 2019.

¹ Singapore University of Social Sciences (SUSS) is formerly SIM University (UniSIM).

² A net balance measures the difference between the percentage of firms with higher values and that with lower values compared to the same quarter a year ago. A positive net balance denotes expansion while a negative balance reflects contraction.

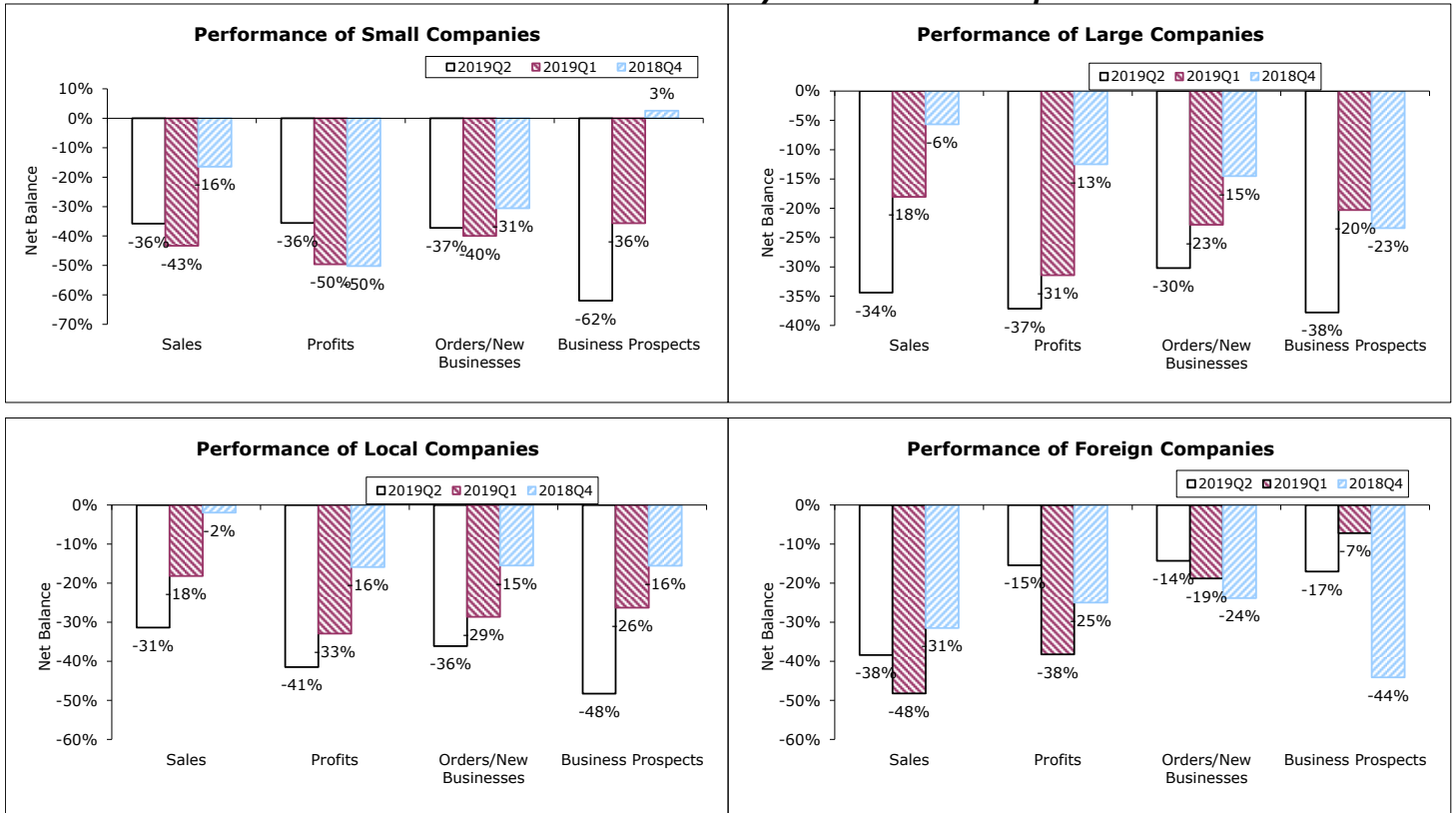
Performance Differential

Small firms managed to avoid worsening performance in 2019Q2 but are much more pessimistic over business prospects in the next six months (*Chart 1*). Large firms encountered weaker results, (especially in sales) and are more pessimistic. The performance gap between small and large firms has narrowed except in business prospects.

Local firms suffered worse results than a quarter ago and have become more pessimistic. Though foreign firms recorded better performance, yet they are more pessimistic over business prospects. The performance gap between local and foreign firms has widened except in sales.

Firms are more pessimistic over prospects in the second half of the year regardless of size and ownership.

Chart 1: Net Balances by Size and Ownership



A small firm is one with sales of less than S\$10 million in a manufacturing industry or less than S\$5 million in a non-manufacturing industry.

The commerce sector became the star performer in 2019Q2, but with little dominance compared to that a quarter ago. For all firms, there was no dominant top performer and no positive net balance. Firms in transport & communications posted the least contraction in sales. The top position in profits was shared by commerce and financial & business services firms. The best performance in orders/new business was captured by firms in financial & business services. The least pessimistic firms are in the construction sector for the second consecutive quarter. Compared to the previous quarter, the manufacturing sector did not reach any top position, reflecting the contraction of 3.8% in its value added in the advance GDP estimates.

Outlook

An analysis of the regression results of lagged net balances and quarterly GDP growth rates points to a likely GDP growth between **-0.6% and -1.0% in 2019Q3** on a year-on-year basis. The BCLI (Business Cycle Leading Index) implies a GDP rate ranging from -1.0% to -1.5% in 2019Q3. Thus, there is a high probability of the Singapore economy contracting in 2019Q3 given the continued external disruptions and high interdependencies in the global economy.

 We thank the company respondents for their support to the survey.
 The consultants for the project are Ms Chow Kit Boey (retired associate professor, NUS Business School, National University of Singapore) and Mr Chan Cheong Chiam (managing director, Web ilite Technology).
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